

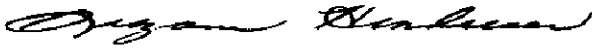
Electronically Recorded

Tarrant County Texas

Official Public Records

4/27/2010 2:16 PM

D210097491



PGS 4 \$28.00

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

Producers 88 (4-89) — Paid Up  
With 640 Acres Pooling Provision

## PAID UP OIL AND GAS LEASE (No Surface Use)

THIS LEASE AGREEMENT is made this 1st day of April, 2010, between KENYON MARTIN, c/o Gardere Wynn Sewell LLP, 1601 Elm Street, Suite 3000, Dallas, Texas 75201-4761 as Lessor, and PALOMA BARNETT, LLC, 1021 Main Street, Suite 2600, Houston, Texas 77002-6606 as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

**10.2 acres, more or less**, consisting of three tracts as follows:

2.595 acres, more or less, situated in the E. Perkins Survey, A-1215, and being Lot 4R, Block 2, of Parker Homeplace, an Addition to the City of Dalworthington Gardens, according to the plat thereof recorded in Cabinet A, Slide 6320 of the Plat Records of Tarrant County, and 5.001 acres, more or less, situated in the T. Perkins Survey, A-1217, and being Lot 1, Block 3, of Indian Trails Estates Addition, an addition to the City of Arlington, Texas, Tarrant County, according to the map or plat thereof recorded in Cabinet A, Slide 6751, Plat Records, Tarrant County Texas, and

2.604 acres, more or less, situated in the T. H. Watson Survey, A-1689, and being Lot 2 of the T.H. Watson Addition, an Addition to the City of Arlington, Tarrant County, Texas, according to the plat thereof recorded in Volume 388-67, Page 19, of the plat records of Tarrant County, Texas, and being more particularly described in that Special Warranty Deed with Vendor's Lien dated September 12, 2008 from JAMES R. HANDY, RECEIVER FOR ROBERT FRASIER AND HA T.N. FRASIER UNDER CAUSE NO. 231-374356-04, 231ST DISTRICT COURT OF TARRANT COUNTY to KENYON MARTIN and recorded in Instrument Number D2083622491 of the Official Public Records of Tarrant County, Texas.

in the County of TARRANT, State of TEXAS, containing 10.2 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of **three (3)** years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be **twenty-five percent (25%)** of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be **twenty-five percent (25%)** of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of either producing oil or gas or other substances covered hereby in paying quantities or such wells are waiting on hydraulic fracture stimulation, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in at lessor's address above or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. Except as provided for in Paragraph 3. above, if Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means a well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying

quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

14. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a perpetual subsurface well bore easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements shall run with the land and survive any termination of this lease.

15. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

16. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other operations.

17. Lessor, and their successors and assigns, hereby grants Lessee an option to extend the primary term of this lease for an additional period of two (2) years from the end of the primary term by paying or tendering to Lessor prior to the end of the primary term the same bonus consideration, terms and conditions as granted for this lease.

18. Lessor agrees to execute, without payment of additional compensation, any and all documents required to obtain approval from any and all federal, state, county or municipal/local government entities to conduct the operations contemplated by this Lease, including, but not limited to, distance waivers, consents, easements prohibiting construction of improvements within certain distances, and petitions of support.

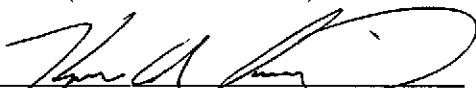
19. This lease may be executed in counterparts, each of which is deemed an original and all of which only constitute one original.

20. See Attached Addendum made a part hereof.

**DISCLAIMER OF REPRESENTATIONS:** Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

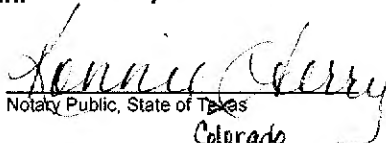
LESSOR (WHETHER ONE OR MORE)

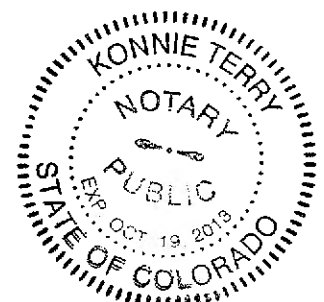
  
Kenyon Martin

STATE OF <sup>Colorado</sup> TEXAS  
COUNTY OF TARRANT

#### ACKNOWLEDGMENT

This instrument was acknowledged before me on the 15 day of April 2010 by  
Kenyon Martin.

  
Notary Public, State of Texas  
Colorado



**ADDENDUM**

Attached to and made part of that certain Oil and Gas Lease dated as of April 1, 2010 between Kenyon Martin, as Lessor and Paloma Barnett, LLC, as Lessee.

Notwithstanding anything to the contrary provided in the printed form of this lease, in the event of conflict between the following Additional Provisions and any provisions contained in the printed form of this lease, the Additional Provisions shall control.

**ADDITIONAL PROVISIONS****A.) NON-USE OF SURFACE.**

Lessee acknowledges that the intended use of the surface of the leased premises is residential. As a result, Lessee acknowledges and agrees that it is an express condition of this lease that Lessee shall not use the surface of the leased premises for any purpose whatsoever, and Lessee shall not have an easement or license to use any part of the surface of the leased premises, it being understood and agreed that all exploration, drilling and operations shall be conducted, if at all wholly upon lands pooled with the leased premises in accordance with the terms hereof ("Adjacent Pooled Lands"). All operations on Adjacent Pooled Lands shall be conducted by Lessee in a manner to minimize any adverse impact on the intended use and enjoyment of the leased premises, taking into account physical, visual, and auditory effects of such operations. Lessee shall exercise its best efforts to control the noise level resulting from its activities upon the Adjacent Pooled Lands.

**B.) ROYALTY.**

It is agreed between the Lessor and Lessee, that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form; however, notwithstanding anything contained herein to the contrary, any such costs which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements. However, in no event shall Lessor receive a price that is less than, or more than, the price received by Lessee.

**C.) INDEMNITY.**

LESSEE, FOR ITSELF AND ITS SUCCESSORS AND ASSIGNS, HEREBY AGREES TO INDEMNIFY, DEFEND, AND HOLD LESSOR, ITS OFFICERS, DIRECTORS, EMPLOYEES AND ITS SUCCESSORS AND ASSIGNS (INCLUDING, BUT NOT LIMITED TO ANY PURCHASERS OF LOTS OR RESIDENCES UPON THE LEASED PREMISES) HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, CAUSES OF ACTION, JUDGMENTS, LOSSES, LIABILITIES, COSTS AND EXPENSES OF EVERY KIND AND CHARACTER RESULTING FROM INJURY TO OR DEATH OF ANY PERSON, OR DAMAGE TO ANY PROPERTY, ARISING OUT OF, INCIDENT TO OR IN CONNECTION WITH, DIRECTLY OR INDIRECTLY, ANY OF THE OPERATIONS OR ACTIVITIES CONDUCTED BY LESSEE OR ANY OF ITS ASSIGNEES, OR ANY OF THEIR RESPECTIVE CONTRACTORS, SUBCONTRACTORS, REPRESENTATIVES, EMPLOYEES OR AGENTS, PURSUANT TO THIS LEASE AND/OR UPON THE ADJACENT POOLED LANDS.

**D.) RIGHT TO INSPECT RECORDS.**

Lessor shall have the right at all reasonable times, personally or by representative, to inspect" copy and audit the books, accounts, contracts, records and data of Lessee pertaining to the development, production, saving, transportation, sale and marketing of the oil, gas and other hydrocarbon and non-hydrocarbon substances produced from or attributable to the leased premises. Lessor shall have the right to examine (and copy) at Lessee's offices any gas sales contract or gas processing contract or similar agreements covering the sale or processing of gas produced from or attributable to the leased premises and any sales agreement for the disposition of oil or condensate produced from or attributable to the leased premises. Lessor shall have the right to require Lessee to furnish to Lessor full information as to all oil, gas and liquefiable hydrocarbons produced and sold from the leased premises. If requested by Lessor, Lessee shall deliver to Lessor copies of any or all records or other information described in this paragraph. Lessor's rights under this paragraph may be exercised once every calendar year. Lessor agrees to use such materials and information solely to confirm compliance by Lessee with the terms and provisions of this lease and to enforce its rights hereunder, and Lessor shall otherwise maintain the confidentiality of such materials and information.

**E.) INSURANCE.**

At all times while this lease is in force, Lessee shall acquire and maintain insurance coverage covering all of its operations on the leased premises (or Adjacent Pooled Lands), including any work performed on its behalf by contractors, subcontractors, or others, naming Lessor and related individuals and entities designated by Lessor as additional insureds under such policies. The policies shall include coverage for comprehensive general liability for bodily injury and property damage blowout and loss of well coverage, and coverage for any damage to the environment, including coverage for the cost of clean up and surface remediation. The coverage shall be in the minimum amount of \$5,000,000. Upon written request by Lessor, Lessee shall furnish a certificate from the insurance company or companies issuing the coverage naming Lessor as an additional insured under the policy. All insurance requirements may be met by a combination of self-insurance, primary and excess insurance policies; provided, however, that this sentence shall be applicable solely to Lessee.

**F.) MINERALS COVERED.**

Notwithstanding any other provision hereof, this lease covers only oil and gas. The term "oil and gas" as used in this lease means oil, gas and other liquid and gaseous hydrocarbons which are produced through a wellbore.

**H.) SHUT-IN ROYALTY.**

If after the end of the primary term, while there is a gas well on this lease which has been shut in for any reason, Lessee may pay or tender, on or before 90 days after the date on which the well is shut in, an annual royalty equal to the sum of twenty-five dollars (\$25) per acre then covered by this lease. The right of Lessee to maintain this lease in force by payments of shut-in gas royalty is limited to a period of twenty-four (24) consecutive months beyond expiration date of the primary term or from time to time not to exceed thirty-six (36) months in the aggregate beyond the expiration date of the primary term. The payment or tender of royalty under this paragraph may be made by the check of Lessee mailed or delivered to the parties entitled thereto. The obligation of Lessee to pay shut-in royalty is a condition and not a covenant.

**I.) WARRANTY OF TITLE.**

Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder against any person who may claim by, through and under Lessor, but not otherwise. Lessee hereby acknowledges and agrees that this Lease is subject to all instruments contained in the public records.

**K.) NOTICE OF ASSIGNMENT.**

Prior to any assignment of this lease or any rights hereunder, Lessee agrees to notify Lessor of the name and address of the proposed assignee(s) and to obtain Lessor's prior written consent, which consent shall not be unreasonably withheld or delayed, provided that assignments of working interests to officers, directors, and subsidiaries or working interest partners of Lessee, or its successors in interest, may be made without such consent so long as the aggregate working interest in this lease conveyed by all such assignments does not exceed a thirty percent (30%) working interest. Notwithstanding the foregoing, no such obligation to obtain consent from Lessor shall be required if this Lease is assigned to Chesapeake Exploration, LLC and/or related party within 60 days of the execution of this lease. Except for working interest assignments specifically allowed in the preceding two sentences, every such assignment or sublease which shall be made without the written consent of Lessor first had and obtained shall be void, and although made with the written consent of Lessor, any such assignment or sublease shall nevertheless, be void unless it also contains a limitation in favor of Lessor requiring that the written consent of Lessor must be obtained prior to any further assignment or subletting of the rights of Lessee hereunder.

**L.) PARTIAL TERMINATION.**

Upon the expiration of the primary term or upon cessation of continuous operations, whichever occurs later, this lease shall terminate as to all depths lying one hundred feet (100') below the base of the deepest producing formation penetrated by the well(s) drilled on the proration or pooled unit(s) in which the leased premises are included and which are producing gas in commercial quantities or which are capable of production but are shut-in under the provisions of this lease. This termination shall be on a well-by-well, unit-by-unit basis, such that this lease may terminate at different depths in different locations given the depth of the well in each unit.

**N.) MINIMUM WELL DEPTH.**

Lessee shall not conduct any operations whatsoever at subsurface depths of less than five hundred (500) feet on the leased premises.